## Revised allocations to the Skills Development Fund and the Texas Enterprise Fund

HB 48 by Chávez (Zaffirini)

DIGEST: HB 48 would have altered the allocation formula from the employment and training investment assessment holding fund, a revenue source funded by an assessment on employers as a part of the unemployment insurance system, which supports the Texas Enterprise Fund and the skills development program.

The bill would have retained the current distribution proportions of 67 percent of the money in the employment and training investment assessment holding fund allocated to the Texas Enterprise Fund and the remaining 33 percent allocated to the skills development program. It would have repealed a provision in existing law that, effective September 1, 2007, will decrease the allocation to the skills development program to 25 percent and increase the allocation to the Texas Enterprise Fund to 75 percent.

GOVERNOR'S REASON FOR VETO: "House Bill No. 48 would change the distribution of funds from the Employment and Training Investment Assessment Holding Fund and would reduce funding for the Texas Enterprise Fund (TEF) by $12.8 million for the biennium.

"TEF has proven to be one of the state's most successful tools in job expansion and economic development by bringing more than 45,000 jobs and $15 billion in capital investment to Texas. House Bill No. 48 would needlessly reduce funding for this valuable program."

RESPONSE: Rep. Norma Chávez, the bill's author, said: "The Skills Development Fund (SDF) has provided worker training evenly across the state in areas that have yet to benefit significantly from the Texas Enterprise Fund (TEF). Border and rural Texas will not be eligible for TEF if the workforce is not prepared or adequately trained to meet the demands of new industry coming to Texas. HB 48 was supported unanimously in both chambers. This bill would have increased funding for SDF, a highly successful workforce training program that has helped approximately 2,834 employers create 61,134 jobs and has trained an additional 106,976 incumbent workers. HB 48 would have increased funding for SDF by $12.8 million over the next two years, bringing the total to $60 million in SDF funds for job-training and job-creation over the biennium.

"Last session, HB 2421, a bill that I authored, created the funding mechanism for SDF and TEF. The bill created an employment investment and training investment assessment by allocating 0.1 percent from the Unemployment Insurance Fund (UI) to these programs. The introduced bill allocated all collected funds to SDF. However, I worked with the Governor's Office to direct a portion of the fund to the TEF after his legislation, using the same funding mechanism, failed to move in both chambers. In the final version of the bill, 67 percent was allocated to TEF and 33 percent to SDF. However, effective September 1, 2007, that split will change to 75 percent for TEF and 25 percent to SDF. HB 48 would have maintained the funding split at the current level of 67 percent to 33 percent.

"During the floor debate of HB 1 this past session, 16 amendments that would have reallocated money from TEF to other programs were struck down by a parliamentary ruling. According to the ruling, the holding fund created in HB 2421 was a special trust fund in the custody of the comptroller outside of the state treasury, therefore, all 16 amendments were ruled out of order.

"If not for HB 2421 and my cooperation with the Governor's Office, TEF would not exist today.

"I continued to work with the Governor's Office this past session. As a member of the Appropriations Committee, I was asked by the Governor's Office to submit an appropriation rider to provide TEF with an additional $62 million from General Revenue. HB 1 as introduced provided TEF with $120 million from the UI fund.

"Although the rider I submitted was not included in the final version of the budget, TEF was ultimately appropriated over $224 million for the biennium. SDF, however, was appropriated only $50 million. If anything, TEF is appropriated more money than needed. In fact, of the $224 million appropriated, $84 million was carryover from the previous biennium.

"It is unfortunate a program is allowed to receive more money than it spends especially when that money could have been put to better use to help business and employees in job-training and job-creation. Investing in a trained workforce ensures that workers can transition to the changing economy. A prepared and skilled workforce is the best incentive to attract business and industry to Texas. Unlike TEF, SDF has been evenly distributed throughout Texas, including in the border and rural regions.

"Small and existing businesses are the backbone of any economy. SDF allows these businesses to take their employees to the next level of skills so the employee and the business can grow and maintain their economic viability in these changing markets. These are not businesses that necessarily qualify for TEF.

"Furthermore, there is almost never any evidence to suggest programs such as TEF work. Subsidies are not usually the deciding factor for corporate relocation. Texas has been know for its favorable business climate. There are 56 Fortune 500 companies in Texas – more than in the state of California – many of which have been here long before TEF. Investing in a trained workforce ensures that workers can transition to the next market so that Texas can continue to attract business and industry because the workforce is prepared.

"Lastly, as William Grieder wrote in the foreword to *Great American Jobs Scam: Corporate Tax Dodging and the Myth of Job Creation*:

> 'Vast sums of public financing are squandered across the nation in transactions that are often no more than a friendly handshake and a press release. Scarce tax revenue is diverted to private interests with no real guarantee that anything at

> all will be created for the common good. ... Public money should be devoted to public purposes, ideally for long-term improvements that can be expected to benefit everyone, including future generations.'"

Sen. Judith Zaffirini, the Senate sponsor, said: "Countless business leaders share my chagrin that Gov. Rick Perry vetoed HB 48 by Rep. Norma Chávez. This important legislation would have maintained original funding levels for the Texas Enterprise Fund (TEF) and the skills development program at a split of 67 percent to 33 percent, instead of allowing these levels to shift to a split of 75 percent to 25 percent, beginning on September 1, 2007. At the request of the Texas Border Coalition and community colleges, businesses, and workers in the border region, I sponsored HB 48 to provide the necessary skilled training to keep our Texas workforce competitive in the midst of a dynamic global economy. While the Legislative Budget Board estimates that TEF has retained between a $74 million and $84 million surplus during the last biennium, the Texas Workforce Commission (TWC) estimates that there are three requests made for every dollar spent on training and skills development. What's more, while Gov. Perry states that TEF has brought more than 45,000 jobs to Texas, he does not mention that the currently under-funded skills development program has created 61,134 jobs and trained an additional 106,976 workers since its inception.

"The governor's assertion that HB 48 'needlessly reduces funding' for TEF is wholly incorrect. In fact, HB 48 would have maintained funding for the TEF at its current level, while also allowing necessary funding to continue to support our skills development program that is essential to the growth of the Texas economy. Again, the governor was ill-advised."

NOTES: HB 48 was analyzed in the March 26 *Daily Floor Report*.